



PUBLIC STATEMENT

Latin America and the Caribbean: Good News with Many Challenges

José Miguel Insulza

Secretary General of the Organization of American States

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It is an agreeable challenge to speak about our region, which in the last few decades has seen substantial positive changes in the political-institutional realm as well as in the economic and social spheres. I am therefore pleased to be able to speak to you of the good news emerging from Latin America and the Caribbean whilst simultaneously addressing the many challenges that still face the region.

For the first time in their history, our countries achieved during the past decade a combination of high growth, macroeconomic stability, poverty reduction and improvement in income distribution. Despite this encouraging news, the economies of the region have been decelerating over the past three years. The International Monetary Fund states that the growth rate in Latin America and the Caribbean in 2010 was 6.1 per cent, in 2011, 4.6; in 2012, 3.0; in 2013, 2.75 and for 2014 the economy is expected to grow just under 2 per cent.

The Caribbean has experienced, with a few exceptions, relatively low growth, as a result of competitiveness problems, which is a feature largely shared by many countries in the hemisphere. Designing a policy agenda in order to increase productivity is a difficult task; I'm afraid that it is easier said than done.

Export diversification, improving the competitiveness of the productive sector and debt sustainability are essential to the region's long-term growth prospects. Improving infrastructure and investing in research and development and strengthening human capital will require important advances in the provision of quality education, and the adoption of initiatives geared toward improved public policies and institutional capacity are key for supporting the advancement of national development objectives. So, too, is ensuring that micro, small and medium enterprises, which account for more than 90 per cent of all businesses in the hemisphere and employ close to 70 per cent of workers, are fully integrated into the productive fabric and development calculus of countries.

It will be a difficult task, as many have already stated. With a 3 per cent annual growth rate the region will not be able to catch up with the more industrialized and developed countries, furthering the gap between north and south. Today Latin America and the Caribbean has a GDP surpassing USD \$7 trillion and if it were taken as a whole, it would rank as the world's fourth largest economy, after the European Union, the United States and China. It would even surpass Japan. What these numbers tell us is that our markets are our main opportunity. They represent an opportunity for the region to resume a more robust growth path via a deeper regional integration to help overcome size and population-related disadvantages. I cannot emphasize this enough: it is no longer merely necessary, but an absolute imperative that we undertake serious and deeper regional integration. The vitality of the region depends on it. I therefore submit that the next Summit of the Americas, to be held in April 2015 in Panama, could be used as the occasion to launch a process for greater regional integration and cooperation in the Americas.

But there are still many challenges which we need to overcome. Let me address some of these as briefly as possible.

It has been over 25 years since the last dictatorships were removed from the region; a phenomenon that came to an end toward the closure of the Cold War. In this sense, the Americas share one common value, a common thread if you will, that itself expresses the commitment to the democratic system of government. The Western Hemisphere and Europe are the world's only democratic regions. In our Summits of the Americas in Trinidad and Tobago in 2009, not one of the leaders attending the meeting owed their presence to anyone but the people who elected them.

Electoral democracy remains one of the cornerstones of the democratic system. Its legitimacy derives from the fact that the political process has its origins in free, transparent, and inclusive elections. But democracy also encompasses a wide-ranging set of values and rights. It includes the fulfillment of a series of conditions, such as the defense of human rights, respect for the rule of law, the upholding of fundamental freedoms, as well as fostering human development as a means to preserve, consolidate and strengthen democracy. I am pleased to say that democracy has gone from being an aspiration to a right of the peoples of the Americas, and governments have an obligation to promote and defend democracy, as stated in Article 1 of the Inter-American Democratic Charter.

But democracies are far from perfect. There are still many things we can and need to do to strengthen democratic processes, empower more citizens and expand their rights. It is important, though, to put into perspective how far this region has come in recent times.

Having emerged from a difficult period of political repression of fundamental freedoms, the nations of the Americas declared at the OAS General Assembly in Chile, in 1991, in the Santiago Commitment (Resolution 1080) that democracy was and should be the common form of government of all countries in the region. The Santiago Commitment began a process that culminated in the formal adoption of the historic Inter-American Democratic Charter, in Lima, Peru, in September 2001. The Charter builds upon a series of mechanisms upheld by the inter-American system and inherently expands the very concept of democracy.

The Inter-American Democratic Charter is a program for democracy; it is an ideal to which we aspire and one that can always be improved. On a more practical level, it enables us to compare its principles with the actual political situation in our

region, to see how far we have come in building democracy and promoting democratic practices among citizens, and to recognize that the risks of backsliding are ever present. The historic development of democracy is not linear, but sprinkled with advances and setbacks, which in many cases are normal symptoms of a complex process, but in others, may constitute actual breaches of the foundations of democracy.

It is clear that good governance requires regular elections and stability and that democratic development depends upon the institutional and legal frameworks of a given country.

Since the transition to democracy in Latin America in the early 1980s, 17 elected presidents have prematurely concluded their mandate, because of coups, resignation, impeachment or upheaval. Only two of these cases, however, have occurred since 2005 (Honduras and Paraguay). The coup d'état in Honduras in June 2009 led to a collective response and the unanimous suspension of that country's OAS membership until democracy was restored. In Paraguay, in 2012, also in June, the OAS, while regretting the premature demise of the government of President Fernando Lugo, did not categorize the impeachment process as illegitimate (as the UNASUR did). The OAS, nevertheless, continued to support the strengthening of democracy in Paraguay with the holding of elections the following year with a view to setting the country on a path of institutional normalization.

Latin America has certainly come a long way in terms of the development of its institutions, electing governments through legitimate elections, securing stability, consolidating the rule of law, and strengthening the capabilities of the State. The deepening of democracy is the greatest challenge yet in the pursuit of not only our ambitions but also the values and promises that underpin the very core of our nations.

But our democracies, generated in legitimate elections and more stable than ever, still face pressing challenges. Although these issues affect us all, to varying degrees, across the region, I would like to address a few of these challenges, particularly as they relate to the Caribbean.

Today, organized crime is a threat to democracy, and a general feeling of public insecurity has become a major concern of citizens in our hemisphere. Corruption, an endemic evil of some of our

societies, provides fertile ground for the political penetration of organized crime, which in turn means that some may not hesitate to resort to crime to deal with their opponents or to buy those that are open to corruption. It is thus critical today to promote and defend a clean political process, not only to ensure the equal participation of citizens but also, and especially in the most vulnerable countries, to combat drug trafficking and organized crime interests in the public sector.

The issue of political financing has become an increasingly important issue to all those who are concerned about the wellbeing of our democracies. The financing of the political system is vital to a healthy and vibrant democracy. Of course, political parties need to seek funding in order to function in an ultra-competitive environment. But there must be clear rules of the game with regard to political party financing and electoral campaign funding, with a view to avoiding the pitfalls and abuses that can arise.

The OAS has been addressing this issue for quite some time, through the decisive declarations and mandates given to our Organization. This is reflected in the incorporation of this topic in the agenda of the Third Summit of the Americas, held in Quebec in 2001, which led to the Inter-American Democratic Charter establishing that political funding is a priority to the point that we should pay particular attention — and I quote from Article 5 — ‘to the problems associated with the high cost of election campaigns and the establishment of a balanced and transparent system for their financing’.

It is clear from the spirit of the Charter that the effective implementation of transparent regulations on political financing is an important factor in strengthening public confidence in institutions and electoral processes. It is undeniable that a strong political and party system strengthens democracy and, in this respect, the trust that a society holds in its political system contributes not only to the legitimacy of its elected leaders but also to the enhancement of democratic governance.

Over the past six years, the OAS has deployed 17 Electoral Observation Missions (EOMs) in 12 of the 14 Caribbean member states. Only Barbados and Trinidad and Tobago are missing from this list but I should point out that the OAS has provided technical assistance to the electoral authorities of both these countries through the mechanism of the Association of Caribbean Electoral Organizations (ACEO) and we enjoy a strong and healthy working relationship with the Elections and Boundaries Commission (EBC)

of Trinidad and Tobago. Indeed, we are always available to collaborate with all our member governments to help strengthen their electoral processes in the interests of efficiency, transparency and accountability.

The reports of the OAS EOM in the Caribbean have determined that there is very little regulation of private financing. For example, very few countries in the region have bans on anonymous or even foreign donations, or limits on contributions. I submit that these regulatory weaknesses constitute risks that may affect the independence of political parties, with respect to economically powerful interests and even organized crime.

Further, very few Caribbean countries have legal requirements for registering political parties or regulations governing campaign contributions or expenditures. The lack of such regulations not only provides an uneven playing field on which more endowed candidates or parties may hold an unfair advantage in disseminating their messages to the electorate, but it also opens the door to unlawful financing in the political process.

The perception of legitimacy is at the core of this discussion and it is one of the reasons why financing of the political system — not only the campaigns, mind you — has become a fundamental pillar of the OAS electoral observation processes. It is, indeed, part of a broader effort to expand the range of our observation missions to incorporate increasingly sophisticated aspects that may threaten the integrity of the democratic process.

What we have observed throughout the Americas — a region where the presence of organized crime, particularly drug trafficking, is an indisputable reality, mobilizing billions of dollars a year and which is therefore especially vulnerable to corruption and the undermining of democratic institutions — is that there has been a clear trend to seek a balance in the influence of money in politics and to strengthen the mechanisms for transparency and accountability. I would like to commend these efforts. I know that governments, institutions and civil society in the Caribbean are equally aware of the challenges in this respect and I would like to encourage the continued pursuit of similar activities in the Caribbean. In so doing, permit me to highlight some of the work of the OAS in support of these efforts.

In September 2010, the OAS presented a model law in Kingston, Jamaica, to the leaders of the governing and opposition parties from 14 OAS member states from the Caribbean Community. The aim of that forum was to promote a discussion about the regulation

and registration of political parties and political financing systems and to provide a tool to facilitate potential reforms.

That initial effort in Jamaica was followed in May 2013 in Barbados by a forum on strengthening the regulation of political parties and political financing systems in the Caribbean. That meeting, organized by the OAS with the International Foundation for Electoral Systems (IFES), gathered more than 42 participants from different backgrounds: Electoral Management Bodies, representatives of Government and opposition political parties from the 14 OAS CARICOM Member States.

Last December, we facilitated national consultations in Antigua and Barbuda on the issue of campaign financing regulations. Immediately afterwards, we were also pleased to participate, here in Trinidad and Tobago, in a Symposium on Political Party Funding, organized by the EBC and the Trinidad and Tobago Transparency Institute, with the support of international partners, heeding a call for action on campaign finance reform by the President of the Republic, at the Opening of the Fourth Session of the Tenth Parliament in August, 2013. I am therefore pleased to note that, in June this year, the Trinidad and Tobago Senate unanimously approved a resolution calling for the appointment of a Joint Select Committee (JSC) to propose legislation governing the financing of election campaigns. The OAS stands ready to offer technical assistance to that Committee and the reform process here in Trinidad and Tobago.

Further, I have noted, with much interest, that the Parliament of Jamaica on September 30 past started debating the Representation of the People (Amendment) Act, 2014, which includes provisions for the registration, regulation and funding of political parties. And if the convention within Parliament — that proposals from the Jamaican Electoral Commission of Jamaica (ECJ) are debated but always passed without any fundamental changes — is maintained, the Bill is likely to be approved. This will indeed be a significant development for the region.

I have already mentioned that electoral processes have made considerable headway in the region. Governments are chosen through clean, periodic, universal elections, and they regularly change hands among opposing political groups, without entailing a significant disruption. I can speak from experience here, since in

just the past five years, the OAS has observed over 50 election processes of all kinds in different countries of the region and every one of them has more than fulfilled the requirements for a democratic election. Admittedly, there have been shortcomings but the processes were clean, with secret ballots and voting on a massive scale, and the results reflected the will of the people.

While democracies in the hemisphere are stable, their respective institutions are still very fragile, and this is a crucial problem for democratic governance. Governments lack the funds needed in order to tackle the serious problems they face. Our governments, in response to their citizens (and sometimes exaggerated electoral promises), take on social and security responsibilities that they are not in the best position to fulfill, because they lack the necessary resources, as well as strong and reliable institutions that are able to carry out policies.

On the issue of security, I note that in response to the security challenges confronting the region, CARICOM Heads adopted the CARICOM Crime and Security Strategy (CCSS) in February 2013, and with it, a joint and coordinated approach to addressing crime and security in the region. This strategy, I understand, reflects over a decade of ongoing, incremental advancements in regional security dialogue, collaboration, and coordination. In furtherance of the strategy's implementation, the OAS Secretariat for Multidimensional Security has been coordinating with CARICOM IMPACS to assist with the achievement of various aspects of the strategy, through both national and multinational programs and project support provided by, among others, the Inter-American Drug Control Commission, the Inter-American Committee against Terrorism and the work of the Organization's Department of Public Security. Here, it would be remiss of me I didn't make mention of the recently concluded 46th Special Session of the OAS General Assembly in Guatemala which adopted a landmark resolution on 'Reflections and Guidelines to Formulate and Follow up on Comprehensive Policies to Address the World Drug Problem in the Americas', in which recognition is also given to the Report on the Drug Problem in the Americas formulated by the GS/OAS last year.

The challenges we face on the regional agenda, on the global agenda and on the national political agenda cannot be met by governments, businesses or civil society alone.

What we need is a platform for cooperation, and this is what the Organization of American States endeavors to provide, among many other things. The OAS is a place where we regularly assemble a vast array of stakeholders, bringing together the major decision makers from the government sector, as well as from the business sector, academia and civil society, at the premier political organization of the Western Hemisphere, to discuss the challenges the region faces, to build bridges among sub-regions and nations and to find solutions to the most pressing issues affecting our countries.

Today, there is a growing middle class in emerging countries that demands greater access to goods, shaping new economic trade zones of the future. At the same time, the demographics of the industrialized world are putting great pressure on their healthcare and social security systems, meaning that their governments have to respond and react in very different ways. Some profound changes, which we are already experiencing, are the emergence of new trade blocs. Clearly, the world is moving beyond the traditional scope of bilateral trading and trade is increasingly occurring at the sub-regional and regional levels.

The significance of what is happening now resides in the fact that the world's economic prospects are increasingly dependent on the fate of the South, raising the implications for Latin America and the Caribbean on the world stage.

The developing world already provides more than 50 per cent of global economic growth and 40 per cent of global investment. Its contribution to global investment growth is more than 70 per cent. The US, European and Japanese share of global income is projected to fall from 56 per cent today to well under half by 2030.

With the new emerging markets, government frameworks will become increasingly important. If international investors are going to compete in these new markets, we need to ensure that modern processes aligned with an international set of standards are in place, providing certain benchmarks for a positive climate for trade, investment and doing business overall. This underscores the importance for these markets in having strong frameworks of corporate governance and risk management and having sound strategies for increasing competitiveness.

I want to conclude by stating the fact that the smallest countries are often overlooked in the discussions on the global stage, although they are often impacted on a scale proportionately higher than other countries, be it due to climate change or financial crises. Addressing these concerns is of primary importance, as is the need

for Latin American and Caribbean countries to have a more active role in the discussions that are taking place on the global stage. The OAS provides the ideal forum in the hemisphere for the largest and the smallest, the richest and the poorest, to sit together and craft a common strategy, taking into consideration, above all, the challenges and needs of the less powerful and the less wealthy.

Let me emphasize, also, that though the region is rightly proud of its relatively recent achievements in the social, political and economic spheres, it still has to grapple with the issue of how to achieve more inclusive societies. Latin America, the most unequal region in the world, has taken an important step in declaring its commitment to work, along with the rest of the region, toward more sustainable and inclusive development with the approval of the Inter-American Social Charter. According to the most recent studies by the World Bank, Latin America's income inequality is falling, albeit in only thirteen countries, but the reduction of inequality is not the result of income distribution from the rich to the least fortunate but rather due to growth of income and greater power purchase of those at the bottom of the pyramid.

As the hemisphere's population approaches one billion, governments, business and international organizations have an unprecedented opportunity to work in partnership to position Latin American and Caribbean countries to maximize their individual and joint capacities to reap the benefits of deeper economic integration, and to achieve sustained growth, stability and prosperity.

In fact, I strongly believe that the time is ripe to engage in an effort that will finally provide the Americas with the appropriate framework for a deeper integration.

NOTES ON CONTRIBUTOR

His Excellency José Miguel Insulza was elected OAS Secretary General on May 2, 2005, and re-elected March 24, 2010. A Chilean politician, Insulza has an accomplished record of public service in his country. At the beginning of his first five-year term as Secretary General, he pledged to strengthen the Organization's 'political relevance and its capacity for action'. A lawyer by profession, he has a law degree from the University of Chile, did postgraduate studies at the Latin American Social Sciences Faculty (FLACSO), and has a master's in political science from the University of Michigan. Until 1973, he was Professor of Political Theory at the University of Chile and of Political Science at Chile's Catholic University. He also served, until that year, as Political Advisor to the Chilean Ministry of Foreign Affairs and Director of the Diplomatic Academy

of Chile. In the early 1970s, Insulza played an active role in Salvador Allende's Popular Unity government and, following the coup that brought General Augusto Pinochet into power, he went into exile for 15 years, first in Rome (1974-1980) and then in Mexico (1981-1988). In Mexico City, he was a researcher and then Director of the United States Studies Institute in the Center for Economic Research and Teaching (CIDE). He also taught at Mexico's National Autonomous University, the Ibero-American University, and the Diplomatic Studies Institute. Insulza was able to return to Chile in early 1988 and joined the Coalition of Parties for Democracy, the coalition that won the plebiscite against the Pinochet regime in October of that year. He has held numerous high-level posts in several Coalition governments. He subsequently served as Chilean Ambassador for International Cooperation, Director of Multilateral Economic Affairs at the Ministry of Foreign Affairs and Vice President of the International Cooperation Agency, and later as Under-Secretary of Foreign Affairs and Minister of Foreign Affairs. In 1999-2000, he became Minister Secretary General of the Presidency. In March 2000, under President Ricardo Lagos, he was designated Minister of the Interior and, as such, filled the office of Vice President of the Republic. When he left that post in May 2005, he had served as a government minister for more than a decade, the longest continuous tenure for a minister in Chilean history.